



Eitel AB

Q1 2017

presentation

3 May 2017

Today's presenters



Håkan Kirstein
CEO



Ulf Lundahl
Chairman of the Board



Lars Nilsson
Interim CFO



THE “NEW” ELTEL

Q1 2017 BUSINESS
PERFORMANCE

STRATEGIC BOARD
DECISIONS
ON 2 MAY 2017

THE NEW ELTEL

Build on strengths – reduce risk

- Core business
- Business for divestment

Strong position in core markets

Project business with high risk outside core markets



Core ~90% of sales

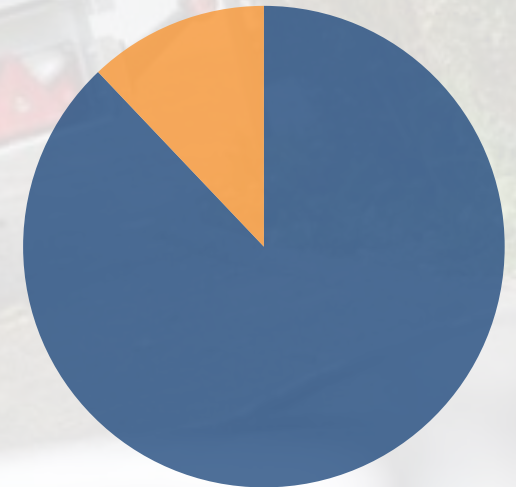
Focus on core business

Power and Communication

The Nordics, Poland and Germany

Grow in line with market, capitalise on trends, make selective acquisitions, increase efficiency

■ Core business
■ Business for divestment



Core ~90% of sales

Sell or discontinue non-core businesses

- Discontinue Communication in the UK
- Discontinue Power Transmission outside Europe

- Divest Rail business
- Divest Power Distribution business in the Baltics
- Divest parts of Aviation & Security business in Sweden

Non-core 10% of sales



- Core business
- Business for divestment

Financial capacity to grow core business

Rights issue of approximately EUR 150 million

Agreement with Eltel's banks on future financing



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Q1 2017 BUSINESS PERFORMANCE

Q1 2017 – Strong growth in core business

Power and Communication

- Net sales +9.8% to EUR 267.1 million
- Operative EBITA EUR 4.1 million
- Order backlog higher compared to year-end 2016

Other

- Net sales –30.9% to EUR 30.9 million
- Operative EBITA EUR –10.0 million

Group

- Net sales +3.6% to EUR 297.8 million
- Operative EBITA EUR -9.7 million

Communication

Growth driven by fibre roll-outs

Q1 Net sales

- Net sales +10.3% to EUR 163.3 million
- Strong development in core markets

Q1 Operative EBITA

- Operative EBITA of EUR 3.6 million
 - Stable performance in Finland and Poland
 - Offset by slightly weaker development in Norway and unprofitable operations in the UK
-
- Merger of business areas Fixed and Mobile and parts of Aviation & Security in Sweden and Denmark



Power

Growth driven by PD Finland and smart meter installations in Norway

Q1 Net sales

- Net sales +9.0 % to EUR 103.8 million
- Strong development in Power Distribution Finland
- Continued positive development within smart meter installations in Norway

Q1 Operative EBITA

- Operative EBITA of EUR 0.5 million
 - Lower production volumes in Germany and Poland
 - Margin revision in certain power distribution contracts in Sweden
-
- Merger of business areas Power Transmission and Power Distribution



Other

Continued negative development

Q1 Net sales

- Net sales –30.9 % to EUR 30.9 million
- Lower production volumes in Africa
- Decreasing volumes in Aviation & Security in Sweden and the Rail business

Q1 Operative EBITA

- Operative EBITA EUR –10.0 million
- Power International EUR –8.0 million due to negative project result and higher costs



Q1 2017 goodwill impairment of EUR 145.6 million

- Balanced risk level within Power Transmission resulting in lower future growth expectations
 - EUR 100 million impairment
- Divestment process of Rail business reveals lower market value compared to current book value
 - EUR 45.6 million impairment
- Accumulated goodwill impairment in Q4 2016 and Q1 2017 of EUR 200.6 million
- Remaining goodwill totals EUR 337.6 million

Goodwill refers to total amount of goodwill and related intangible assets; brand and customer relationships



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STRATEGIC BOARD DECISIONS

ON 2 MAY 2017

Discontinuation of Power Transmission International to reduce risk in operations



- Discontinue the Power Transmission business outside of Europe
 - Goodwill impairment of EUR 55 million in Q4 2016
 - Negative result development in 2016 and Q1 2017
- Cost to discontinue operations estimated to be approximately EUR 40 million
 - Majority in 2017 and the remainder in 2018



Auditors' Report in Eltel's Annual Report 2016

- In the Auditors' Report, Eltel's auditors advice against discharge from liability for former Chairman Gérard Mohr and former CEO Axel Hjärne for the financial year 2016
 - The Auditors' Report states, among others, that “former CEO Axel Hjärne has had knowledge of the fact that the reporting of significant projects during 2016 was incorrect and has neglected to inform the Board of Directors in time of errors in the accounting and in general provide adequate information regarding the risks in the company's project portfolio.”

Board files report to the police regarding former CEO Axel Hjärne

- On 21 February 2017, Eltel's Board decided to appoint a special investigator, attorney-at-law Axel Calissendorff at Calissendorff Swarting Advokatbyrå, to investigate liability regarding negative outcome in the project business
- The investigator has presented the findings of the investigation to Eltel's Board
- Based on the conclusions in the investigation and, in an investigation by PwC, the Board decided to file a police report regarding suspicions of accounting violation and/or fraud against Eltel's former CEO Axel Hjärne



Turning point for Eltel

- This is a turning point for Eltel
- Eltel has a solid core business
- There is support for the rights issue
- Eltel has reached an agreement for future financing
- Eltel is in a good position to implement its new strategy

Q&A

Eltel to publish its second quarter interim report 2017 on 17 August, 2017

For further information:

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